



INTERNAL AUDIT CONTROLS EVALUATION ALLRIGHT PARKING

March 4, 2002

Roanoke City Council Audit Committee
Roanoke, Virginia

We have audited Allright Roanoke Parking Inc. ("Allright") in accordance with generally accepted government auditing standards.

BACKGROUND

In September 2001, the City Manager asked if the Municipal Auditing department would consider auditing cash, revenue, and certain other aspects of Allright's operations under the 1997 contract. Given that the current contract expires on July 31, 2002, we agreed to perform the audit in the hope that information from the audit might aide City management in preparing specifications for proposals.

The original contract signed in 1997, specifies the parking rates to be charged at each facility and the times each facility is to be attended. This contract has been amended on several occasions changing provisions regarding rates, hours, and the specific facilities to be managed by Allright. Under the current provisions of the contract, Allright is responsible for managing six garages and three surface parking lots owned by the City.

- Century Station Parking Garage
- Church Avenue Parking Garage
- Williamson Road Parking Garage
- Gainsboro Parking Garage
- Tower Parking Garage
- Market Square Parking Garage
- Viaduct Surface Lot
- Williamson Road Surface Lot
- Gainsboro Surface Lot

The terms of the contract set different hours and charges at the various facilities. The contract allows Allright to begin charging daily parkers arriving in the facilities between 7:00 am and 8:00 am Monday through Friday, depending on the facility. Parking fees are collected up until 4:00 pm to 9:00 pm, depending on the facility. The attendants may work the exit gates up beyond the posted hours of operation in at least some of the garages in order to collect fees from those daily parkers departing after the facility has stopped charging new entrants into the facility. Allright raises the entrance gates after

the facilities' posted hours of operation, at which time parkers can enter the garage without taking a parking ticket. Attendants can raise the exit gates without using the cash register in those cases where free parkers need to exit before the attendant leaves the facility.

Allright issues monthly parkers magnetic "swipe" cards that can be read by the machines that control the entrance and exit gates. Monthly parkers are also issued hangtags that must be displayed in their vehicles while parked in the garage. Allright maintains a file on each monthly parker that includes the vehicle license plate number, the hangtag number, and other identifying information.

Allright manages the Viaduct surface lot using an honor box system rather than using restricted access and an attendant. The honor box has numbered slots that correspond to the numbered parking spaces in the lot. Upon arriving at the lot, parkers deposit the required fee into the corresponding numbered slot in the honor box. The honor box has a protective glass shield inside it that can restrict an employee's access to only viewing the cash. Another key is required to open the glass barrier and remove the cash.

An Allright employee visits the lots three to four times each day during business hours to enter the payment and vehicle information into a hand-held computer. The computer identifies vehicles for which no money has been deposited into the honor box. The employee leaves a collection envelope on unpaid vehicles. Parkers can place the fee into the envelope and drop the envelope into a drop box on the lot. A supervisor collects the cash from the boxes and takes the cash to the office for processing.

In accordance with the contract, Allright remits all revenues collected from the parking facilities to the City Treasurer's Office. The City pays Allright a flat monthly management fee based on the terms of the contract. For fiscal year 2001, parking generated gross operating revenues of \$1,944,324 with associated operating expenditures of \$1,299,757, which includes depreciation expense but not interest expense.

PURPOSE

The purpose of this audit was to, on a limited basis:

- Evaluate the design and operation of the system of internal controls over paid parking.
- Evaluate the design and operation of the system of internal controls over cash processing.
- Evaluate Allright's compliance with the terms of the City's parking management contract.

SCOPE

We evaluated the controls in place as of December 31, 2001. All City facilities managed by Allright parking were considered within the scope of the audit. We tested transactions generated from January 1, 2001 through December 31, 2001. We did not

evaluate the condition of the garages or other aspects of operational performance.

METHODOLOGY

We obtained an understanding of internal controls relating to parking by reviewing available documentation, interviewing Allright Parking employees, and interviewing the City Parking Management Coordinator. We documented our understanding by developing data flow diagrams, process outlines, and process flow charts. Based on this understanding, we identified controls and the risks involved in the area of parking. We evaluated the efficiency and effectiveness of the controls over the risks. As a result of our evaluation, we developed a test program that includes a combination of substantive and control test work. Sampling was performed on a non-statistical basis due to data configuration and accessibility.

RESULTS

We observed the City's Viaduct lot on three occasions and recorded the number of occupied spaces. We projected the average occupancy and expected revenue for the Viaduct lot based on our observations and compared our projection to the actual revenues remitted by Allright. We concluded that the revenues reported by Allright were reasonable based on the results of our test work.

We reviewed Allright's files relating to monthly parking agreements and selected a sample of contracts on which we verified payment was received and deposited. Using the information from Allright's files and our observations of the garages during business hours, we projected the monthly parking revenues for the garages. Based on our projections and the actual revenues remitted by Allright, we conclude that the monthly revenues reported by Allright were reasonable.

Based on the cost effectiveness of unattended lots and the design of the honor box process, we evaluated the controls over the viaduct surface lot to be sufficient to ensure cash is reasonably safeguarded and parking fees are adequately enforced.

We evaluated the controls over parking in the garages as favorable in most regards. The gated access, mechanized gate lifts, and attendant controlled exits reasonably ensure parking revenues are collected. Attendants are regularly assigned to the same garage and the same shift, which allows them to become familiar with "regular" parkers. The attendant's ability to recognize regular parkers is the primary control to prevent abuse of the city's policy to allow free parking after 5:30 pm. The attendant should be able to recognize regular parkers who attempt to avoid paying parking by claiming to have arrived after 5:30 pm.

Finding 01: Parking Rates

We reviewed parking rates charged to ensure that they were within the bounds of the contract and approved by City Council. The most recent contract between the City and Allright Parking indicated that parking at the Viaduct lot would be free on weekends. Signs posted at the Viaduct parking lot did not state that parking was free on weekends and implied that the normal daily rates applied. As a result, parkers frequently

deposited the normal fee in the honor box when parking on the weekends. The average weekend revenues from this lot amounted to approximately \$200 per weekend. When we reviewed the contract with Allright management, they agreed and replaced the sign with one that reflects the terms of the contract.

CONCLUSION

Based on the results of our audit, we conclude that the system of internal controls over paid parking and cash processing are reasonably adequate. We also conclude that Allright has complied with the terms of the contract in all matters evaluated by us to be material.

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